



*A/S Valmieras Stikla Skiedra*

Reg. No. 40003031676

Unaudited  
Financial report

as at December 31, 2008  
as at December 31, 2007

COMPANY NAME	Valmieras Stikla Skiedra
LEGAL STATUS	Joint Stock Company
REGISTRATION NUMBER, PLACE AND DATE	No. 40003031676 Riga, 30 September 1991
TYPE OF BUSINESS	Production of glass fibre products
ADDRESS	13 Cempu Street, Valmiera, LV- 4201, Latvia
THE BOARD	Chairman of the Board: Andris Oskars Brutāns, president  Members of the Board: Andre Heinz Schwiontek, vicepresident Wilfried Queißer Karl Heinz Will Imants Saulītis Armin Zieschank Friedhelm Schwender
THE COUNCIL	Chairman of the Council: Jürgen Preiss-Daimler  Members of the Council:  Frank Behrends Hans Peter Cordts Guntis Strazds Aivars Lošmanis

<b>TABLE OF CONTENTS</b>	
<b>ACILLARY INFORMATION</b>	<b>3</b>
<b>MANAGEMENT REPORT</b>	<b>4</b>
<b>STATEMENT OF MANAGEMENT RESPONSIBILITIES</b>	<b>5</b>
<b>BALANCE SHEET</b>	<b>6-7</b>
<b>STATEMENT OF PROFIT AND LOSS</b>	<b>8</b>
<b>STATEMENT OF SHAREHOLDERS' EQUITY</b>	<b>9</b>
<b>STATEMENT OF CASH FLOWS</b>	<b>10</b>
<b>ANNEX</b>	<b>11-12</b>

## MANAGEMENT REPORT

---

The Company's primary business is manufacture and sale of fibreglass and fibreglass products. The production is sold in Europe , USA , Canada, Australia , Russija, Ukraine and the Baltic states , total in 29 countries to 93 customers . 73% of the total production is sold to companies in the European Union ; export sales comprise 94 % of total sales.

Since 2000 the Company operates in accordance with DIN EN 9001:2000 quality management certificate, which was issued and is audited every three years by the German Quality management system certification company DQS located in Frankfurt. In 2007 the Company received a renewed certificate .

Total sales and net profit for the last 3 years are as follows:

	Sales		Net profit	
	LVL	EUR	LVL	EUR
		0.702804		0.702804
2006	34 986 103	49 780 740	719 681	1 024 014
2007	37 202 925	52 934 993	64 353	91 566
2008	37 813 391	53 803 608	535 250	761 592

During 2008, the Company has invested LVL 5.23 million (EUR 3.02 million) in fixed assets to increase its manufacturing capacity.

Main production types in 2008 were fibreglass textiles (58% ) and threads ( 37% ).

The net profit for the first 12 months of 2008 was LVL 0.535 mill. (EUR 0.761 mill.), i.e. by LVL 0.517 mill. (EUR 0.736 mill.) more than planned in 12 months 2008.

The net profit for the first 12 months of 2008 has increased as actual costs were less than planned.

The share value of JSC Valmieras stikla šķiedra listed in Riga Stock Exchange decreased by LVL 0.1.02 (EUR 1.45) or 77.9% from LVL 1.31 as of 27 December 2007 to LVL 0.29 as of 31.12..2008.

The board has developed a strategic plan for 2008 to 2010. The Company's expected sales for 2009 are LVL 40.3million, (EUR 57.34 million), net profits LVL 174 thousand (EUR 247.6).

In the second half of 2007, the Company started to work on development of information systems , in order to increase the manufacturing and labour efficiency.

For the preparation of the unrevised abridged financial statement for as per 12 months of 2008 we used the revised statement accountig policy of 2007.

---

Andris Oskars Brutāns  
Chairman of the Board

## **AS VALMIERAS STIKLA ŠĶIEDRA**

### **STATEMENT OF MANAGEMENT RESPONSIBILITIES**

The management of AS "Valmieras Stikla Šķiedra "(the Company) is responsible for preparation of the financial statements.

The Financial Statements are prepared in accordance with the source documents and present fairly the state of affairs of the Company at the end of 31 December 2008 and the results of its operations and cash flows for the year ended 31 December 2008. The management confirms that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements presented on pages 6 to 12. The management also confirms that applicable International Financial Reporting Standards as adopted by the European Union have been followed and that the financial statements have been prepared on a going concern basis.

The management of the Company is also responsible for keeping proper accounting records , for taking reasonable steps to safeguard the assets of the Company and to prevent and detect fraud and other irregularities. They are also responsible for operating the Company in compliance with the legislation of the Republic of Latvia.

On behalf of the management

---

Andri Oskars Brutāns

Chairman of the Board

	31.12.2008		31.12.2007	
	LVL	EUR	LVL	EUR
<b>ASSETS</b>		<b>0.702804</b>		<b>0.702804</b>
<b>Non-current assets</b>				
<b>Intangible assets</b>				
Patents and licenses	33 628	47 848	53 886	76 673
Other intangible assets	17 477	24 868		
<b>Total intangible assets</b>	<b>51105</b>	<b>72 716</b>	<b>53 886</b>	<b>76 673</b>
<b>Fixed assets</b>				
Land and buildings	10 554 116	15 017 154	11 449 585	16 291 292
Equipment and machinery	23 945 521	34 071 407	28 475 631	40 517 173
Other fixed assets	404 102	574 985	510 738	726 715
Construction in progress	5 149 855	7 327 584	348 138	495 356
Advance payments for fixed assets	501 038	712 913	4 216	5 999
<b>Total fixed assets</b>	<b>40 554 632</b>	<b>57 704 043</b>	<b>40 788 308</b>	<b>58 036 534</b>
<b>Total non-current assets</b>	<b>40 605 737</b>	<b>57 776 759</b>	<b>40 842 194</b>	<b>58 113 207</b>
<b>Current assets</b>				
<b>Inventory</b>				
Raw materials	7 775 633	11 063 729	7 481 151	10 644 719
Work in progress	2 732 100	3 887 428	2 465 873	3 508 621
Finished goods	7 175 166	10 209 341	4 156 210	5 913 754
Advance payments for inventories	16 559	23 561	14 665	20 866
<b>Total inventory</b>	<b>17 699 458</b>	<b>25 184 060</b>	<b>14 117 899</b>	<b>20 087 961</b>
<b>Accounts receivable</b>				
Trade receivables	5 620 654	7 997 470	4 991 909	7 102 847
Other receivables	358 356	509 895	265 960	378 427
Deferred expenses	156 959	223 333	213 048	303 140
<b>Total accounts receivable</b>	<b>6 135 969</b>	<b>8 730 697</b>	<b>5 470 917</b>	<b>7 784 414</b>
<b>Derivatives</b>	436 106	620 523	401 217	570 880
<b>Cash and cash equivalents</b>	396 909	564 751	596 928	849 352
<b>Total current assets</b>	<b>24 668 442</b>	<b>35 100 031</b>	<b>20 586 961</b>	<b>29 292 606</b>
<b>TOTAL ASSETS</b>	<b>65 274 179</b>	<b>92 876 789</b>	<b>61 429 155</b>	<b>87 405 813</b>

	31.12.2008		31.12.2007	
	LVL	EUR	LVL	EUR
		0.702804		0.702804
<b>LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>				
<b>Shareholders' equity</b>				
Share capital	23 903 205	34 011 197	23 903 205	34 011 197
Retained earnings:		0 000		
a) retained earnings	4 438 167	6 314 943	4 373 814	6 223 377
b) current year profit	535 250	761 592	64 353	91 566
<b>Total shareholders' equity</b>	<b>28 876 622</b>	<b>41 087 731</b>	<b>28 341 372</b>	<b>40 326 139</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Due to credit institutions	25 108 818	35 726 629	24 683 822	35 121 915
Finance lease		0 000	7 329	10 428
Deferred tax	225 775	321 249	676 123	962 036
<b>Total non-current liabilities</b>	<b>25 334 593</b>	<b>36 047 878</b>	<b>25 367 274</b>	<b>36 094 379</b>
<b>Current liabilities</b>				
Due to credit institutions	6 568 135	9 345 614	4 189 018	5 960 436
Finance lease	4 141	5 892	16 058	22 848
Advance payments from customers	293 825	418 075	273 324	388 905
Trade payables	3 363 581	4 785 945	2 590 336	3 685 716
Taxes and social security payments	272 199	387 304	286 128	407 123
Other accounts payable	381 421	542 713	304 657	433 488
Accrued liabilities	173 862	247 383	52 788	75 111
Deferred income	5 800	8 253	8 200	11 668
Derivatives			-	-
<b>Total current liabilities</b>	<b>11 062 964</b>	<b>15 741 180</b>	<b>7 720 509</b>	<b>10 985 295</b>
<b>Total liabilities</b>	<b>36 397 557</b>	<b>51 789 058</b>	<b>33 087 783</b>	<b>47 079 674</b>
<b>EQUITY</b>	<b>65 274 179</b>	<b>92 876 789</b>	<b>61 429 155</b>	<b>87 405 813</b>

	2008		2007	
	LVL	EUR	LVL	EUR
		0.702804		0.702804
Revenues	37 813 391	53 803 608	37 202 925	52 934 993
Changes in inventories	3 285 182	4 674 393	1 550 805	2 206 597
Work performed by the entity and capitalised	58 550	83 309	61 447	87 431
Other operating income	361 126	513 836	95 359	135 684
Raw materials and consumables	#####	(28 986 030)	(18 818 798)	(26 776 737)
Personnel expenses	(7 210 109)	(10 259 061)	(6 731 538)	(9 578 116)
Depreciation and amortization	(5 980 313)	(8 509 219)	(5 448 989)	(7 753 213)
Other operating expenses	(6 552 010)	(9 322 670)	(6 874 932)	(9 782 147)
<b>Profit from operations</b>	<b>1 404 319</b>	<b>1 998 166</b>	<b>(1 036 279)</b>	<b>(1 474 492)</b>
Interest and similar income	1 120	1 594	584 783	832 071
Interest and similar expenses	(1 320 537)	(1 878 955)	(1 567 472)	(2 230 312)
<b>Profit before taxes</b>	<b>84 902</b>	<b>(120 805)</b>	<b>53 590</b>	<b>76 252</b>
Corporate income tax	450 348	640 787	10 763	15 314
<b>Net profit</b>	<b>535 250</b>	<b>(761 592)</b>	<b>64 353</b>	<b>91 566</b>
<b>Basic and diluted earnings per share</b>	<b>0.0224</b>	<b>0.0319</b>	<b>0.0027</b>	<b>0.0038</b>



	<b>2008</b>		<b>2007</b>	
	<b>LVL</b>	<b>EUR</b>	<b>LVL</b>	<b>EUR</b>
		<b>0.702804</b>		<b>0.702804</b>
<b>operating activities</b>				
Profit before taxation	84 902	120 805	53 590	76 252
Adjustments:				
Depreciation and amortization	5 980 313	8 509 219	5 448 989	7 753 213
Depletion of precious metals	115 520	164 370	91 002	129 484
Profit or loss from disposal of fixed assets	(5 671)	(8 069)	(0 474)	(0 674)
Interest expense	1 426 921	2 030 326	1 387 400	1 974 092
Changes in fair value of derivatives	(34 889)	(49 643)	(576 898)	(820 852)
<b>Changes in operating assets and liabilities:</b>				
Inventory	(3 581 559)	(5 096 099)	(2 639 727)	(3 755 993)
Accounts receivable and other assets	(665 052)	(946 284)	(47 103)	(67 022)
Accounts payable and other liabilities (decrease)/increase	787 617	1 120 678	(823 054)	(1 171 100)
Corporate income tax paid	-	-	-	-
<b>Cash provided by operating activities</b>	<b>4 108 102</b>	<b>5 845 303</b>	<b>2 893 725</b>	<b>4 117 400</b>
<b>investing activities</b>				
Purchase of fixed assets and intangible assets, advance payments	(5 601 009)	(7 969 518)	(3 379 263)	(4 808 258)
Proceeds from sale of fixed assets	5 954	8 472	165 221	235 088
<b>Net cash used in investing activities</b>	<b>(5 595 055)</b>	<b>(7 961 046)</b>	<b>(3 214 042)</b>	<b>(4 573 170)</b>
<b>Financing activities</b>				
Received loans from credit institution	5 416 676	7 707 236	-	-
Paid loans to credit institutions	(2 804 388)	(3 990 285)	-	-
Change in credit line, net	191 827	272 945	1 940 006	2 760 380
Finance lease payments	(19 246)	(27 385)	(19 833)	(28 220)
Dividends paid	-	-	(167 323)	(238 079)
Interest expenses paid	(1 497 935)	(2 131 369)	(1 403 522)	(1 997 032)
<b>Net cash provided by financing activities</b>	<b>1 286 934</b>	<b>1 831 142</b>	<b>349 328</b>	<b>497 049</b>
Net increase in cash and cash equivalents	(200 019)	(284 601)	29 011	41 279
Cash and cash equivalents at the beginning of the year	596 928	849 352	567 917	808 073
<b>Cash and cash equivalents at the end of the year</b>	<b>396 909</b>	<b>564 751</b>	<b>596 928</b>	<b>849 352</b>

	Share capital LVL	EUR	Retained earnings LVL	EUR	Total LVL	EUR
		0.702804		0.702804		0.702804
<b>As of 31 December 2006</b>	<b>23 903 205</b>	<b>34 011 197</b>	<b>4 541 137</b>	<b>6 461 456</b>	<b>28 444 342</b>	<b>40 472 652</b>
Dividends paid	-		(167 323)	(238 079)	(167 323)	(238 079)
Current year profit	-		64 353	91 566	64 353	91 566
<b>As of 31 December 2007</b>	<b>23 903 205</b>	<b>34 011 197</b>	<b>4 438 167</b>	<b>6 314 943</b>	<b>28 341 372</b>	<b>40 326 139</b>
Current year profit			535 250	761 592	535 250	761 592
<b>As of 31 December 2008</b>	<b>23 903 205</b>	<b>34 011 197</b>	<b>4 973 417</b>	<b>7 076 535</b>	<b>28 876 622</b>	<b>41 087 731</b>

## ANNEX

### 1. SHARE CAPITAL

The company's registered share capital as of 31. December 2008 and 2007 was LVL 23.903.205. The Company's paid share capital registered with the Enterprise Register as of 31. December 2008 and 2007 was 23.903.205 consisting of 23.897.455 ordinary shares with voting rights and 5.750 ordinary shares without voting rights. The nominal value of each share is LVL1.

As of 31. December 2008 and 2007 the shareholders of the Company in accordance with the records maintained by the Latvian Central Depository were as follows:

	<b>2008</b>	<b>2007</b>
P-D Glasseiden Oschatz GmbH	38.2%	45.3%
Vitrolan International GmbH	36.2%	36.2%
P-D Management Industries-Technologies GmbH	11.7%	-
Skandinaviska Enskilda Banken Ab	2.0%	2.2%
VAS VSAA	2.4%	2.4%
P.D.P. Fiberglass Consulting Ltd	-	4.6%
Braune Beatrix	2.6%	2.6%
Other	6.9%	6.7%
	<b>100.00%</b>	<b>100.0%</b>

### 2. INFORMATION FOR "PROFIT OR LOSS ACCOUNT

#### 1. MATERIAL EXPENSES

	<b>2008</b>		<b>2007</b>	
	<b>12 months</b>	<b>EUR</b>	<b>12 months</b>	<b>EUR</b>
	LVL	0.702804	LVL	0.702804
Raw materials	13 756 825	19 574 198	13 823 232	19 668 687
Electricity	2 545 231	3 621 537	1 913 410	2 722 537
Ore processing costs	2 895 298	4 119 638	2 139 995	3 044 939
Natural gas	326 295	464 276	412 922	587 535
Depletion of ore	115 520	164 370	91 002	129 484
Other	732 329	1 042 010	438 237	623 555
<b>Total</b>	<b>20 371 498</b>	<b>28 986 030</b>	<b>18 818 798</b>	<b>26 776 737</b>

#### 2. PERSONNEL EXPENSES

Salaries	5 123 455	7 290 020	4 805 724	6 837 929
Social security payments	1 302 537	1 853 343	1 145 058	1 629 271
Illness and vacation expenses	551 567	784 809	552 711	786 437
Provisions for bonuses of Board and Council	-	-	8 600	12 237
Insurance of employees	59 932	85 276	57 755	82 178
Other	172 618	245 613	161 690	230 064
<b>Total</b>	<b>7 210 109</b>	<b>10 259 061</b>	<b>6 731 538</b>	<b>9 578 116</b>

#### 3. DEPRECIATION AND AMORTIZATION

Fixed asset depreciation	5 956 942	8 475 965	5 425 316	7 719 529
Intangible asset amortization	23 371	33 254	23 673	33 684
<b>Total</b>	<b>5 980 313</b>	<b>8 509 219</b>	<b>5 448 989</b>	<b>7 753 213</b>

#### 4. OTHER OPERATING EXPENSES

Transportation	2 362 464	3 361 483	2 284 807	3 250 987
Commission	1 569 025	2 232 521	1 837 152	2 614 032
Service costs	579 080	823 957	861 813	1 226 249
Research and development expenses	85 297	121 367	58 785	83 644
Repairs	548 295	780 153	568 728	809 227
Maintenance expenses	476 780	678 397	345 156	491 113
Insurance	186 234	264 987	194 344	276 527
Business trips	162 147	230 714	148 688	211 564
Expenses relating to personnel	57 524	81 849	64 091	91 193
Communications	63 466	90 304	56 966	81 055
Leasing	100 776	143 391	66 914	95 210
Property tax	51 096	72 703	86 493	123 068
Office expenses	32 975	46 919	41 740	59 391
Selling expenses	20 940	29 795	47 903	68 160
Audit's expenses	24 218	34 459	21 436	30 501

	<b>2008</b>		<b>2007</b>	
	<b>12months</b>	<b>EUR</b>	<b>12months</b>	<b>EUR</b>
	LVL	<b>0.702804</b>	LVL	<b>0.702804</b>
Increase in doubtful debts	3 234	4 602	2 788	3 967
Loss on disposal of fixed assets	-	-	1 230	1 750
Other	228 190	324 685	185 898	264 509
<b>Total</b>	<b>6 551 741</b>	<b>9 322 288</b>	<b>6 874 932</b>	<b>9 782 147</b>

### **3. TRADE RECEIVABLES**

	<b>2008</b>		<b>2007</b>	
	<b>12 month</b>	<b>EUR</b>	<b>12 month</b>	<b>EUR</b>
	LVL	<b>0.702804</b>	LVL	<b>0.702804</b>
P-D Glasseiden Oschatz GmbH	2 578 964	3 669 535	2 467 391	3 510 781
P-D Aitec GmbH	-	-	27 657	39 352
Vitrolan Textilglas GmbH	79 492	113 107	381 583	542 944
Other trade receivables	2 962 978	4 215 938	2 122 390	3 019 889
Increase in doubtful debts	(0 780)	(1 110)	(7 112)	(10 119)
	<b>5 620 654</b>	<b>7 997 470</b>	<b>4 991 909</b>	<b>7 102 847</b>